

BERLIN-ORANGE FIRE DEPARTMENT

Ionia County, Michigan

34-7511
General Purpose Financial Statements

Year Ended March 31, 2004

Auditing Procedures Report

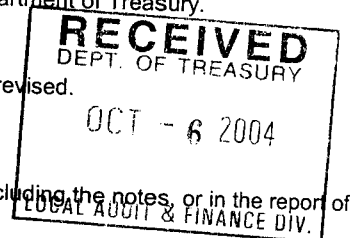
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Berlin Orange Fire Department	County Ionia
Audit Date 3/31/04	Opinion Date 6/26/04	Date Accountant Report Submitted to State: 10/5/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



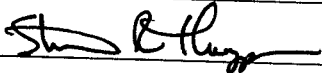
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Biggs, Hausserman, Thompson, and Dickinson, PC			
Street Address 356 East Main Street		City Saranac	State MI
Accountant Signature  CPA		ZIP 48881	Date 10/5/04

BERLIN-ORANGE FIRE DEPARTMENT
Ionia County, Michigan

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To the Fire Board
Berlin-Orange Fire Department
Ionia County, Michigan

We have audited the accompanying general purpose financial statements of the Berlin-Orange Fire Department, Ionia County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Berlin-Orange Fire Department's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Berlin-Orange Fire Department, Ionia County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Biggs, Hausserman, Thompson & Dickinson P.C.

BIGGS, HAUSSERMAN,
THOMPSON & DICKINSON, P.C.
Certified Public Accountants

June 26, 2004

Berlin Orange Fire Department
Iona County, Michigan

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

	Governmental Fund Types	Account Groups		Totals (Memorandum Only)
	General	General Fixed Assets	General Long-Term Debt	
Assets				
Cash	\$ 4,255	\$ 0	\$ 0	\$ 4,255
Landing and building	0	59,235	0	59,235
Equipment	0	554,491	0	554,491
Amount to be provided from general fund revenues	0	0	83,860	83,860
Total assets	<u>\$ 4,255</u>	<u>\$ 613,726</u>	<u>\$ 83,860</u>	<u>\$ 701,841</u>
Liabilities				
Accounts Payable	\$ 2,040	\$ 0	\$ 0	\$ 2,040
Fire Truck Payable	0	0	83,860	83,860
Total Liabilities	<u>2,040</u>	<u>0</u>	<u>83,860</u>	<u>85,900</u>
Fund Equity				
Investment in general fixed assets	0	613,726	83,860	613,726
Fund balances:				
Unreserved:				
Undesignated	2,215	0	0	2,215
Total fund equity	<u>2,215</u>	<u>613,726</u>	<u>83,860</u>	<u>615,941</u>
Total liabilities and fund equity	<u>\$ 4,255</u>	<u>\$ 613,726</u>	<u>\$ 83,860</u>	<u>\$ 701,841</u>

Berlin Orange Fire Department
Iona County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended March 31, 2004

	Budget	Actual	Favorable (Unfavorable) Variances
Revenues			
Township of Berlin	\$ 26,605	\$ 25,000	\$ (1,605)
Township of Orange	26,605	25,000	(1,605)
Interest on investments	0	29	29
Miscellaneous	0	228	228
Total revenues	<u>53,210</u>	<u>50,257</u>	<u>(2,953)</u>
Expenditures			
Office supplies	200	237	(37)
Gas and oil	1,500	1,723	(223)
Mileage	6,500	6,300	200
Insurance	13,000	12,128	872
Utilities	3,220	2,989	231
Repairs and maintenance-equipment	3,800	2,005	1,795
Equipment and supplies	13,840	7,366	6,474
Property maintenance	0	25	(25)
Miscellaneous	2,450	1,796	654
Outside contractors	1,100	1,470	(370)
Capital outlay	7,600	13,008	(5,408)
Principle on Long-Term Debt	0	24,305	(24,305)
Interest on Long-Term Debt	0	6,809	(6,809)
Total expenditures	<u>53,210</u>	<u>80,161</u>	<u>(26,951)</u>
Excess (deficiency) of revenues over expenditures	0	(29,904)	(29,904)
Fund balance, April 1, 2003	<u>32,119</u>	<u>32,119</u>	<u>0</u>
Fund balance, March 31, 2004	<u>\$ 32,119</u>	<u>\$ 2,215</u>	<u>\$ (29,904)</u>

BERLIN-ORANGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Berlin-Orange Fire Department, Ionia County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The Berlin-Orange Fire Department was organized in 1973 by the Township of Berlin and the Township of Orange, Ionia County, Michigan to provide fire protection for their respective townships. The department is governed by a Fire Committee consisting of six members, three from each Township.

The department is funded primarily by contributions from the two Townships. The current agreement between the two townships expires November 30, 2007.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from intergovernmental revenues. The General Fund is the only operating fund of the department; therefore, the statement of revenues, expenditures and changes in fund balances reflects only the general fund activity and reflects the total operations of the department.

Account Groups

General Fixed Assets Account Group - This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group - This account group presents the long-term debt of the local unit and the amount to be provided for repayment of the debt in the future.

Basis of Accounting - The modified accrual basis of accounting is followed for all funds. Under the modified accrual basis of accounting, revenues are recognized in the year in which they become available and measurable and expenditures are recognized in the year in which the liability is incurred.

BERLIN-ORANGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS- Continued -
March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

General Fixed Assets - Purchases of general fixed assets are recorded as expenditures in the General Fund at the time of purchase. Such assets are also capitalized at cost in the General Fixed Assets Group of Accounts. Gifts or contributions are recorded in general fixed assets at fair market value at the time of receipt. No depreciation has been provided for on the general fixed assets.

Budget Basis of Accounting - Budgets are adopted on the modified accrual basis of accounting.

Total Column on Combined Statement

Total column on the combined statement is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2: CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 4/1/2003	Additions	Deletions	Balance 3/31/2004
Land and building	\$ 52,952	\$ 6,283	\$ 0	\$ 59,235
Equipment	547,766	6,725	0	554,491
Total	<u>\$ 600,718</u>	<u>\$ 13,008</u>	<u>\$ 0</u>	<u>\$ 613,726</u>

NOTE 3: CASH DEPOSITS

As of March 31, 2004, the Berlin-Orange Fire Department had the following amounts deposited:

Savings deposits - amounts insured	\$ 4,255
Total cash deposit	<u>\$ 4,255</u>

These deposits are in one financial institution located in the local area. All accounts are in the name of the Fire Department and a specific fund. They are recorded in the Fire Department records at cost. Interest is recorded when the deposits mature.

BERLIN-ORANGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS- Continued -
March 31, 2004

NOTE 3: CASH DEPOSITS - CONTINUED

Statutory Authority

Act 217, PA 1982, authorizes the Fire Department to deposit and invest in:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146)
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States Government or Federal agency obligation repurchase agreements
- (e) bankers' acceptance of United States banks
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

The Fire Department's investments are in accordance with statutory authority.

NOTE 4: CHANGES IN GENERAL LONG-TERM DEBT

A summary of changes in general long-term debt follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Lease Payable	\$ 108,175	\$ 0	24,315	\$ 83,860
Totals	<u>\$ 108,175</u>	<u>\$ 0</u>	<u>\$ 24,315</u>	<u>\$ 83,860</u>

NOTE 5: LEASE PURCHASE AGREEMENT

On August 23, 2002, the Fire Department entered into a lease/purchase agreement for a new fire truck. This agreement has been reported as a capital lease with the cost of equipment and original debt recorded at \$108,175.

The new agreement requires twelve semiannual payments beginning March 23, 2003 in the amount of \$10,371.00 including interest at 4.27%.

BERLIN-ORANGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS- Continued -
March 31, 2004

NOTE 5: LEASE PAYABLE- Continued

The annual requirements to amortize long-term debt outstanding as of March 31, 2004, including interest payments are as follows:

	<u>Loan Payable</u>
2005	\$ 20,743
2006	20,743
2007	20,743
2008	20,743
2009	<u>10,616</u>
Total	<u>\$ 93,588</u>

NOTE 6: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

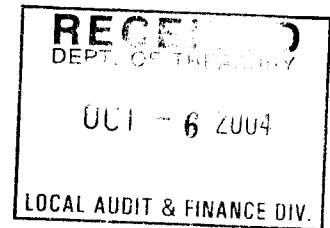
P.A. 621 of 1978, Section 18(1), as amended, provides that a Fire Department shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the district's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the district for these budgetary funds were adopted to the functional level.

During the year ended March 31, 2004, the Fire Department incurred expenditures in certain budgetary funds which were in excess of the amount appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund	\$ 53,210	\$ 80,161	\$ (26,951)

NOTE 7: RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department carries commercial insurance for the above risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



June 26, 2004

To the Fire Board
Berlin-Orange Fire Department
Ionia County, Michigan

Dear Board Members:

We have recently completed an audit of the accounts and records of Berlin-Orange Fire Department for the fiscal year ended March 31, 2004. In connection with our examination, we reviewed the Department's operating procedures and system of internal control. In that regard, we offer the following comments and recommendations:

1. Due to lack of personnel to provide for the adequate segregation of duties for internal control purposes, we feel the Department should consider requiring a second signature on all checks processed.
2. GASB 34 was recently approved which significantly modifies the financial reporting used for governmental entities. The effective date for the Fire Department is the fiscal year ended March 31, 2005. GASB 34 will require the depreciation of fixed assets owned by the Fire Department. To facilitate this, a listing of current assets should be accumulated and future purchases and disposals will need to be accounted for. You will need to accumulate a listing of your assets, which includes the amount paid for each item and the year purchased. You can accumulate this information through an appraisal or we can assist in this process.
3. All municipalities are now required to file an annual qualifying statement with the State of Michigan. This allows qualifying municipalities approval to enter into certain borrowings. The Fire Department has never completed this process. Since the Fire Department is a separate entity, we recommend that this filing be completed by the department.

4. Your loan payment should be included in your future budgets.

It is a pleasure and we appreciate providing professional services to the Berlin-Orange Fire Department. If we can be of any assistance regarding the above matters, please contact our office.

Very truly yours,

Biggs, Hausserman, Thompson + Dickinson

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants